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1001 G STREET, N. W.
SUITE 500 WEST
WASHINGTON, D.C. 20001
TEL. 202.434.4100
FAX 202.434.4646
WWW.KHLAW.COM

WRITER'S DIRECT ACCESS

December 28, 2001

C. Douglas Jarrett
(202) 434-4180
jarrett@khlaw.com

COURIER TO MELLON BANK

FCC/MELLON

DEC 28 2001

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
9300 East Hampton Drive
Capitol Heights, Maryland 20743

CC 02-21

Re: Conectiv Communications, Inc.
Request for Transfer of Control of its
Domestic Section 214 Authority

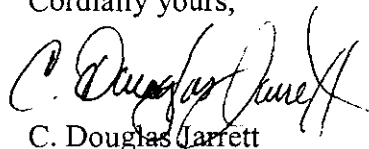
Dear Ms. Salas:

Transmitted herewith, on behalf of Conectiv Communications, Inc. are an original and five copies of a request for Transfer of Control of its Domestic Section 214 Authority to New RC, Inc. A signed FCC Form 159 and a check in the amount of \$815.00, the required filing fee, are also enclosed.

A copy of this letter and a date-stamped copy of this Request for Transfer, along with a copy of the FCC Form 159 and a copy of the check for fee payment will be provided to Tracey Wilson in the Policy and Program Planning Division of the Common Carrier Bureau, as requested by the Commission in its Public Notice DA 01-1654 (rel. July 20, 2001).

Should there be any questions regarding this matter, however, the Commission is respectfully requested to communicate directly with this office.

Cordially yours,


C. Douglas Jarrett

Enclosures

bcc: Michael J. Boland, Esquire
Anne Gwal, Esquire

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Pursuant to Section 214 of the Communications Act of 1934, as amended (the "Act"),

entered into a Merger Agreement in which Pepco will acquire Conectiv and Pepco and Conectiv will become two wholly-owned subsidiaries of New RC. CCI will remain a subsidiary of Conectiv and an indirect subsidiary of New RC.

Conectiv's point-to-point common carrier microwave facilities will continue to be used to provide telecommunications services. The facilities extend from Delaware through eastern Maryland and into northeastern Virginia. These facilities are and will continue to be utilized extensively to provide non-switched interexchange telecommunications services. Therefore, the grant of this Section 214 authority will serve the public interest, convenience and necessity by allowing Conectiv to continue the provision of these telecommunications services.

Related applications that will be filed in connection with this transaction include an application for Consent to Transfer of Control of the Common Carrier Fixed Point-to-Point Microwave Service stations licensed to CCI pursuant to Part 101 of the Commission's Rules. In addition, applications are being filed with the Commission for Consent to Transfer of Control of the Private Land Mobile Radio Service stations and Private Operational Fixed Point-to-Point Microwave Service stations licensed to Pepco and two other subsidiaries of Conectiv, Atlantic City Electric Company and Delmarva Power & Light Company, respectively, pursuant to Parts 90 and 101 of the Commission's Rules, as applicable.

II. REQUEST FOR TRANSFER OF CONTROL UNDER SECTION 214

As requested by the Commission in Public Notice DA 01-1654 (rel. July 20, 2001), the Applicants provide, to the extent applicable for a domestic section 214 authority, the following information pursuant to 47 C.F.R. §63.18.

- (a) The names, addresses and telephone numbers of the parties:

Authorized Carrier:

Conectiv Communications, Inc.
800 King Street
P.O. Box 231
Wilmington, DE 19899-0231
Tel: (302) 429-3527

Transferor:

Conectiv
800 King Street
P.O. Box 231
Wilmington, Delaware 19899-0231
Tel: (302) 429-3376

Transferee:

New RC, Inc.
701 Ninth Street, N.W.
Washington, D.C. 20068
Tel: (202) 872-2520

(b) **Citizenship:**

Conectiv Communications, Inc. is a corporation organized under the laws of the State of Delaware. Transferor Conectiv is a corporation organized under the laws of the State of Delaware. Transferee New RC, Inc. is a corporation organized under the laws of the State of Delaware.

(c) **Contact Information:**

Authorized Carrier:

Conectiv Communications, Inc.
800 King Street
P.O. Box 231
Wilmington, DE 19899-0231
Attention: Aria Klees
Tel: (302) 429-3765
Fax: (302) 429-3801

with a copy to

Keller and Heckman, LLP

1001 G Street, N.W.
Suite 500 West
Washington, D.C. 20001
Attention: C. Douglas Jarrett, Esq.
Tel: (202) 434-4180
Fax: (202) 434-4646

Transferor:

Conectiv
800 King Street
Wilmington, Delaware 19899
Tel: (302) 429-3320
Fax: (302) 429-3801
Attention: Anne Gwal

Transferee:

New RC, Inc.
701 Ninth Street, N.W.
Washington, D.C. 20068
Tel: (202) 872-2520
Fax: (202) 872-3281
Attention: Michael J. Boland

(d) Previous Section 214 authorizations: CCI previously obtained an International Section 214 authorization for global resale authority, File No. ITC-97-500, effective October 10, 1997. CCI intends to file an application to discontinue the provision of such international services pursuant to Section 63.61 *et seq.* of the Commission's Rules, and, pursuant to Section 63.71 of the Commission's Rules, an application to discontinue the provision of certain interexchange services in the states of Delaware, Maryland, New Jersey and Pennsylvania, other than the telecommunications services provided over CCI's common carrier point-to-point microwave facilities. These applications to discontinue service shall be filed concurrently or within several business days of the filing of this Application for Consent to Transfer of Control.

(e) The Applicants seek to transfer control of Conectiv Communications, Inc., a common carrier holding domestic Section 214 authority.

(f) No response required.

(g) Not applicable.

(h) Names, addresses, citizenship and principal businesses of persons or entities owning 10% or more of the Transferee.

No shareholder or other equity holder will own 10% or more of New RC as the conclusion of the proposed transaction discussed above. As explained above, Conectiv Communications, Inc. is a subsidiary of Conectiv. At the close of the proposed transaction, Conectiv Communications, Inc. will be an indirect subsidiary of New RC.

(i) — (n) Not applicable.

(o) New RC hereby certifies that no party to this Application, as defined in 47 C.F.R. §1.2002(b), is subject to denial of Federal benefits pursuant to Section 5301 of the Anti-Drug Abuse Act of 1988, 21 U.S.C. §862.

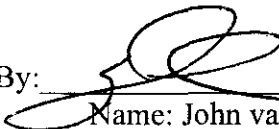
(p) Not applicable.

III. CONCLUSION


Accordingly, Applicants respectfully request that the Commission grant authority for the transfer of control domestic Section 214 authority, as requested herein.

Respectfully submitted,

Conectiv

By: 
Name: John van Roden
Title: Authorized Representative

New RC, Inc.

By: 
Name: Dennis R. Wraase
Title: President and Treasurer

Dated: December 27, 2001

EXECUTION COPY

AGREEMENT AND PLAN OF MERGER

DATED AS OF FEBRUARY 9, 2001

among

POTOMAC ELECTRIC POWER COMPANY

NEW RC, INC.

and

CONNECTIV

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AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER, dated as of February 9, 2001 (this "Agreement"), among **POTOMAC ELECTRIC POWER COMPANY**, a corporation organized under the laws of the District of Columbia and the Commonwealth of Virginia ("Parent"), **NEW RC, INC.**, a Delaware corporation and a direct wholly-owned subsidiary of Parent ("HoldCo"), and **CONECTIV**, a Delaware corporation ("Conectiv").

WITNESSETH:

WHEREAS, Conectiv and Parent have determined to engage in a business combination;

WHEREAS, in furtherance thereof the respective Boards of Directors of Conectiv, Parent and HoldCo have approved the consummation of a reorganization provided for in this Agreement, pursuant to which two wholly owned, newly formed subsidiaries of HoldCo will merge with and into Conectiv and Parent on the terms and conditions set forth in this Agreement (such transactions are referred to herein individually as the Conectiv Merger and the Parent Merger (as defined in Section 1.1(c)) and collectively as the "**Mergers**"), as a result of which the common stockholders of Conectiv and Parent will together own all of the outstanding shares of common stock of HoldCo and each share of each other class of capital stock of Conectiv and Parent shall be unaffected and remain outstanding;

WHEREAS, Parent, HoldCo and Conectiv desire to make certain representations, warranties, covenants and agreements in connection with the transactions contemplated hereby and also to prescribe various conditions to the transactions contemplated hereby; and

WHEREAS, for federal income tax purposes, it is intended that the Mergers, taken together, qualify as a transaction described in Section 351 of the Internal Revenue Code of 1986, as amended (the "**Code**");

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth herein, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I

THE MERGERS

1.1. The Mergers. (a) To effectuate the transactions contemplated herein, Parent shall cause the following corporations (together, the "**Merger Subs**") to be organized as wholly owned subsidiaries of HoldCo:

(i) Merger Sub A Corp., a corporation organized under the laws of the District of Columbia and the Commonwealth of Virginia ("**Merger Sub A**"), the articles of incorporation and bylaws of which shall be in such forms as shall be determined by

Parent with the consent of Conectiv, which consent shall not be unreasonably withheld, and the authorized capital stock of which shall initially consist of 100 shares of common stock, without par value, which shall be issued to HoldCo at a price of \$1.00 per share.

(ii) Merger Sub B Corp., a corporation organized under the laws of the State of Delaware ("**Merger Sub B**"), the certificate of incorporation and bylaws of which shall be in such forms as shall be determined by Parent with the consent of Conectiv, which consent shall not be unreasonably withheld, and the authorized capital stock of which shall initially consist of 100 shares of common stock, par value \$.01 per share, which shall be issued to HoldCo at a price of \$1.00 per share.

(b) In connection with the organization of the Merger Subs, as soon as practicable following the creation of the Merger Subs, HoldCo shall: (a) designate the respective directors and officers of the Merger Subs; (b) cause the directors and officers of the Merger Subs to take such steps as may be necessary or appropriate to complete the organization of the Merger Subs; (c) cause the boards of directors of the Merger Subs to approve this Agreement; (d) adopt (as sole stockholder of each of the Merger Subs) this Agreement; (e) cause the Merger Subs to enter into and become parties to this Agreement; and (f) cause each Merger Sub to perform its obligations hereunder.

(c) Upon the terms and subject to the conditions of this Agreement, at the Effective Time (as defined in Section 1.3):

(i) Merger Sub A shall be merged with and into Parent (the "**Parent Merger**") in accordance with the applicable provisions of the laws of the Commonwealth of Virginia and the District of Columbia. Parent shall be the surviving corporation in the Parent Merger ("**Surviving Corporation A**") and shall continue its corporate existence under the laws of the District of Columbia and the Commonwealth of Virginia. As a result of the Parent Merger, Parent shall become a subsidiary of HoldCo. The effects and consequences of the Parent Merger shall be as set forth in this Agreement and in Section 13.1-721 of the Virginia Stock Corporation Act (the "**VSCA**") and Section 29-370 of the Business Corporations Act of the District of Columbia (the "**DCBCA**").

(ii) Merger Sub B shall be merged with and into Conectiv (the "**Conectiv Merger**") in accordance with the laws of the State of Delaware. Conectiv shall be the surviving corporation in the Conectiv Merger ("**Surviving Corporation B**") and shall continue its existence under the laws of the State of Delaware. As a result of the Conectiv Merger, Conectiv shall become a subsidiary of HoldCo. The effects and consequences of the Conectiv Merger shall be as set forth in this Agreement and in Sections 259-261 of the Delaware General Corporation Law (the "**DGCL**").

1.2. Closing. The closing of the Mergers (the "**Closing**") will take place at 10:00 a.m. (New York City time) on the fifth Business Day after the satisfaction or waiver of the conditions (excluding conditions that, by their terms, cannot be satisfied until the Closing Date) set forth in Article VI (the "**Closing Date**"), unless another time or date is agreed to in writing by the parties hereto. The Closing shall be held at the offices of Simpson Thacher & Bartlett, 425

Lexington Avenue, New York, New York, 10017, unless another place is agreed to in writing by the parties hereto.

1.3. Effective Time. As part of the Closing, the parties hereto shall (i) file a certificate of merger (the “**Conectiv Certificate of Merger**”) in such form as is required by and executed in accordance with the relevant provisions of the DGCL and make all other filings or recordings required under the DGCL and (ii) file certificates of merger (the “**Parent Certificates of Merger**”, and together with the Conectiv Certificate of Merger, the “**Certificates of Merger**”) with respect to the Parent Merger with the State Corporation Commission of Virginia pursuant to the relevant provisions of the VSCA and with the Mayor of the District of Columbia pursuant to the relevant provisions of the DCBCA and make all other filings or recordings required under the VSCA and the DCBCA. The Mergers shall become effective simultaneously and at such time on the Closing Date as Parent and Conectiv shall agree and is specified in the Certificates of Merger (the date and time the Mergers become effective being the “**Effective Time**”).

1.4. Effects of the Merger. At and after the Effective Time, the Mergers will have the effects set forth in the VSCA, the DCBCA and the DGCL. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time all property, rights, privileges, powers and franchises of Parent and Merger Sub A shall be vested in Surviving Corporation A, and all debts, liabilities and duties of Parent and Merger Sub A shall become debts, liabilities and duties of the Surviving Corporation A. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time all the property, rights, privileges, powers and franchises of Conectiv and Merger Sub B shall be vested in the Surviving Corporation B, and all debts, liabilities and duties of Conectiv and Merger Sub B shall become the debts, liabilities and duties of the Surviving Corporation B.

1.5. Certificate of Incorporation. At or prior to the Effective Time, HoldCo shall adopt a certificate of incorporation substantially in the form attached hereto as Exhibit A, which shall be the certificate of incorporation of HoldCo following the Effective Time, until duly amended. The articles of incorporation of Parent as in effect at the Effective Time shall be the articles of incorporation of Surviving Corporation A until thereafter changed or amended as provided therein and under applicable law. The certificate of incorporation of Conectiv as in effect at the Effective Time shall be the certificate of incorporation of the Surviving Corporation B until thereafter changed or amended as provided therein and under applicable law.

1.6. By-Laws. At or prior to the Effective Time, HoldCo shall adopt by-laws substantially in the form attached hereto as Exhibit B, which shall be the by-laws of HoldCo following the Effective Time, until duly amended. The by-laws of Merger Sub A as in effect immediately prior to the Effective Time shall be the by-laws of Surviving Corporation A following the Effective Time, until duly amended. The by-laws of Merger Sub B as in effect immediately prior to the Effective Time shall be the by-laws of Surviving Corporation B following the Effective Time, until duly amended.

1.7. Officers and Directors of Surviving Corporations. (a) The officers of Merger Sub A immediately prior to the Effective Time shall be the officers of Surviving Corporation A, until the earlier of their resignation or removal or otherwise ceasing to be an

officer or until their respective successors are duly elected and qualified. The directors of Merger Sub A immediately prior to the Effective Time shall be the directors of Surviving Corporation A until the earlier of their resignation or removal or otherwise ceasing to be a director or until their respective successors are duly elected and qualified.

(b) The officers of Merger Sub B immediately prior to the Effective Time shall be the officers of Surviving Corporation B, until the earlier of their resignation or removal or otherwise ceasing to be an officer or until the respective successors are duly elected and qualified. The directors of Merger Sub B immediately prior to the Effective Time shall be the directors of Surviving Corporation B until the earlier of their resignation or removal or otherwise ceasing to be a director or until their respective successors are duly elected and qualified.

1.8. Effect on Parent and Conectiv Capital Stock. At the Effective Time, by virtue of the Mergers and without any action on the part of Parent, Merger Sub A, Merger Sub B, HoldCo, Conectiv or the holders of any of the following securities:

(a) **Cancellation of Certain Common Stock.** Each share of common stock, par value \$1.00 per share, of Parent ("**Parent Common Stock**"), each share of common stock, par value \$.01 per share, of Conectiv ("**Conectiv Common Stock**") and each share of Class A common stock, par value \$.01 per share, of Conectiv ("**Class A Stock**" and together with the Conectiv Common Stock, the "**Conectiv Stock**"), that are owned by Parent, Conectiv or any of their Subsidiaries (as defined in Section 8.11), shall be canceled and shall cease to exist, and no consideration shall be delivered in exchange therefor.

(b) **Conversion of Certain Common Stock.** (i) Each share of Parent Common Stock issued and outstanding immediately prior to the Effective Time (other than shares canceled pursuant to Section 1.8(a) and shares with respect to which the holder thereof duly exercises the right to dissent under applicable law) shall be converted into the right to receive one share of common stock, par value \$.01 per share, of HoldCo ("**HoldCo Common Stock**") (the "**Parent Merger Consideration**").

(ii) (A) Each share of Conectiv Common Stock issued and outstanding immediately prior to the Effective Time (other than shares canceled pursuant to Section 1.8(a) and shares with respect to which the holder thereof duly exercises the right to dissent under applicable law) shall be converted into the right to receive (x) \$25.00 in cash (the "**Conectiv Common Stock Cash Consideration**") or (y) the number of validly issued, fully paid and nonassessable shares of HoldCo Common Stock (the "**Conectiv Common Stock Share Consideration**") determined by dividing \$25.00 by the Average Final Price (the "**Conectiv Common Stock Exchange Ratio**"); provided, however, that:

(1) if the Average Final Price is less than \$19.50, the Conectiv Common Stock Exchange Ratio shall be 1.28205; and

(2) If the Average Final Price is greater than \$24.50, the Conectiv Common Stock Exchange Ratio shall be 1.02041.

As used herein, the term "**Average Final Price**" shall mean the volume-weighted average (rounded to the nearest \$0.0001) of the closing trading prices of Parent Common Stock on the

New York Stock Exchange (the “NYSE”), as reported in the *Wall Street Journal*, Eastern Edition (or such other sources as the parties shall agree in writing), for the 20 Trading Days (as defined in Section 8.11) randomly selected by lot out of 30 consecutive Trading Days ending on the fifth business day immediately preceding the Closing Date. On the fourth Business Day immediately preceding the Closing Date, the parties hereto shall announce by press release the amount of the Average Final Price.

(B) Each share of Class A Stock issued and outstanding immediately prior to the Effective Time (other than shares canceled pursuant to Section 1.8(a) and shares with respect to which the holder thereof duly exercises the right to dissent under applicable law) shall be converted into the right to receive (x) \$21.69 in cash (the “**Class A Cash Consideration**” and together with the Conectiv Common Stock Cash Consideration, the “**Conectiv Cash Consideration**”) or (y) the number of validly issued, fully paid and nonassessable shares of HoldCo Common Stock (the “**Class A Share Consideration**” and together with the Conectiv Common Stock Share Consideration, the “**Conectiv Share Consideration**”) determined by dividing \$21.69 by the Average Final Price (the “**Class A Stock Exchange Ratio**”); provided, however, that:

(1) if the Average Final Price is less than \$19.50, the Class A Stock Exchange Ratio shall be 1.11227; and

(2) if the Average Final Price is greater than \$24.50, the Class A Stock Exchange Ratio shall be 0.88528.

The Conectiv Common Stock Cash Consideration and the Conectiv Common Stock Share Consideration are referred to herein together as the “Common Stock Consideration”. The Class A Cash Consideration and the Class A Share Consideration are referred to herein together as the “Class A Consideration”. The Conectiv Cash Consideration and the Conectiv Share Consideration are referred to herein together as the “**Conectiv Merger Consideration**”. The Conectiv Merger Consideration and the Parent Merger Consideration are referred to herein together as the “**Merger Consideration**”.

(c) Stock Election. Subject to the immediately following sentence, each record holder of shares of Conectiv Stock immediately prior to the Effective Time shall be entitled to elect to receive shares of HoldCo Common Stock for all or any part of such holder’s shares of Conectiv Stock (a “**Stock Election**”). Notwithstanding the foregoing, the sum (the “**Stock Election Number**”) of (i) the aggregate number of shares of Conectiv Common Stock to be converted into the right to receive HoldCo Common Stock at the Effective Time and (ii) the product of 0.86757 and the aggregate number of shares of Class A Stock to be converted into the right to receive HoldCo Common Stock at the Effective Time, will be 50% of the sum of (x) the total number of shares of Conectiv Common Stock issued and outstanding as of the close of business on the third trading day prior to the Effective Time (excluding for these purposes shares to be cancelled pursuant to Section 1.8(a)) and (y) the product of 0.86757 and the total number of shares of Conectiv Class A Stock issued and outstanding as of the close of business on the third trading day prior to the Effective Time (excluding for these purposes shares to be cancelled pursuant to Section 1.8(a)).

(d) Stock Election Shares. As used herein, the term “**Stock Election Shares**” means shares of Conectiv Stock for which a Stock Election has been made and the term “**Aggregate Stock Election Share Number**” means the sum of (i) the aggregate number of shares of Conectiv Common Stock covered by Stock Elections and (ii) the product of (A) the aggregate number of shares of Class A Stock covered by Stock Elections and (B) 0.86757. If the Aggregate Stock Election Share Number exceeds the Stock Election Number, each Stock Election Share shall be converted into the right to receive shares of HoldCo Common Stock or cash in the following manner:

(i) a proration factor (the “**Stock Proration Factor**”) shall be determined by dividing the Stock Election Number by the Aggregate Stock Election Share Number;

(ii) the number of Stock Election Shares covered by each Stock Election that will be converted into the right to receive HoldCo Common Stock shall be determined by multiplying the Stock Proration Factor by each of (A) the total number of shares of Conectiv Common Stock that are covered by such Stock Election and (B) the total number of Shares of Class A Stock that are covered by such Stock Election; and

(iii) each Stock Election Share other than those shares converted into the right to receive HoldCo Common Stock in accordance with Section 1.8(d)(ii), shall be converted into the right to receive cash in accordance with Section 1.8(f)(ii).

(e) Cash Election. Subject to the immediately following sentence, each record holder of shares of Conectiv Stock immediately prior to the Effective Time shall be entitled to elect to receive Conectiv Cash Consideration for all or any part of such holders’ shares of Conectiv Stock (a “**Cash Election**”). Notwithstanding the foregoing, the sum (the “**Cash Election Number**”) of (i) the aggregate number of shares of Conectiv Common Stock to be converted into the right to receive cash at the Effective Time and (ii) the product of 0.86757 and the aggregate number of shares of Class A Stock to be converted into the right to receive cash at the Effective Time, will be equal to (x) the sum of (I) the total number of shares of Conectiv Common Stock issued and outstanding as of the close of business on the third trading day prior to the Effective Time (excluding for these purposes shares to be cancelled pursuant to Section 1.8(a)) and (II) the product of 0.86757 and the total number of shares of Class A Stock issued and outstanding as of the close of business on the third trading day prior to the Effective Time (excluding for these purposes shares to be cancelled pursuant to Section 1.8(a)), minus (y) the Stock Election Number.

(f) Cash Election Shares. As used herein, the term “**Cash Election Shares**” means the shares of Conectiv Stock for which a Cash Election has been made and the term “**Aggregate Cash Election Share Number**” means the sum of (i) the aggregate number of shares of Conectiv Common Stock covered by Cash Elections and (ii) the product of (A) the aggregate number of shares of Class A Stock covered by Cash Elections and (B) 0.86757. If the Aggregate Cash Election Share Number exceeds the Cash Election Number, each share of Conectiv Stock that is a Cash Election Share shall be converted into the right to receive cash or HoldCo Common Stock in the following manner:

(i) a proration factor (the “**Cash Proration Factor**”) shall be determined by dividing the Cash Election Number by the number of Aggregate Cash Election Share Number;

(ii) the number of Cash Election Shares covered by each Cash Election that will be converted into the right to receive Conectiv Cash Consideration shall be determined by multiplying the Cash Proration Factor by each of (A) the total number of shares of Conectiv Common Stock covered by such Cash Election and (B) the total number of shares of Class A Stock covered by such Cash Election; and

(iii) each Cash Election Share other than those shares converted into the right to receive cash in accordance with Section 1.8(f)(ii), shall be converted into the right to receive HoldCo Common Stock in accordance with Section 1.8(d)(ii) (and cash in lieu of fractional shares).

(g) Mixed Election. Subject to the immediately following sentence, each record holder of shares of Conectiv Stock immediately prior to the Effective Time shall be entitled to elect to receive shares of HoldCo Common Stock for part of such holder’s shares of Conectiv Stock and cash for the remaining part of such holder’s shares of Conectiv Stock (the “**Mixed Election**” and, collectively with Stock Election and Cash Election, the “**Election**”). With respect to each holder of Conectiv Stock who makes a Mixed Election, the shares of Conectiv Stock such holder elects to be converted into the right to receive Conectiv Share Consideration shall be treated as Stock Election Shares for purposes of the provisions contained in Sections 1.8(c) and (d) and the shares such holder elects to be converted into the right to receive Conectiv Cash Consideration shall be treated as Cash Election Shares for purposes of the provisions contained in Sections 1.8(e) and (f).

(h) Preferred Stock Unchanged. Each share of the Parent Preferred Stock (as defined in Section 3.2(c)) shall be unchanged and shall remain outstanding as Parent Preferred Stock after the Mergers.

1.9. Form of Election. (a) Prior to the Effective Time, Parent shall appoint a bank or trust company as may be approved by Conectiv (which approval shall not be unreasonably withheld) as the exchange and paying agent (the “**Exchange Agent**”) for the payment and exchange of the Merger Consideration.

(b) Parent shall prepare a form of election (the “**Form of Election**”) which shall be subject to the approval of Conectiv (which approval shall not be unreasonably withheld or delayed) to be mailed by the Exchange Agent to the record holders of Conectiv Stock not more than 60 Business Days nor less than 20 Business Days prior to the Election Date. The Form of Election shall be used by each record holder of shares of Conectiv Stock who wishes to elect to receive HoldCo Common Stock or cash for any or all shares of Conectiv Stock held by such holder, subject to the provisions of Section 1.8. The Exchange Agent shall use reasonable efforts to make the Form of Election available to all persons who become holders of Conectiv Stock during the period between the record date (for the mailing of the Form of Election) and the Election Date. Any holder’s election shall have been properly made only if the Exchange Agent shall have received at its designated office, by 5:00 p.m., New York City time, on the Business Day specified in the Form of Election (or a later Business Day specified by Parent in a

subsequent press release) (the “**Election Date**”), which Election Date shall be two Business Days prior to the date on which the Effective Time will occur, a Form of Election properly completed and signed and accompanied by certificates that immediately prior to the Effective Time represented issued and outstanding shares of Conectiv Stock (the “**Conectiv Certificates**”) representing the shares of Conectiv Stock to which such Form of Election relates, duly endorsed in blank or otherwise in form acceptable for transfer on the books of Conectiv (or by an appropriate guarantee of delivery of such Conectiv Certificates as set forth in such Form of Election from a firm which is an “eligible guarantor institution” (as defined in Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended the “**Exchange Act**”)); provided that such Conectiv Certificates are in fact delivered to the Exchange Agent by the time set forth in such guarantee of delivery).

(c) Any Form of Election may be revoked by the stockholder submitting it to the Exchange Agent only by written notice received by the Exchange Agent prior to 5:00 p.m., New York City time, on the Election Date. If a Form of Election is revoked, the Conectiv Certificate or Conectiv Certificates (or guarantees of delivery, as appropriate) for the shares of Conectiv Stock to which such Form of Election relates shall be promptly returned by the Exchange Agent to the stockholder of Conectiv submitting the same.

(d) Parent shall have the discretion, which it may delegate in whole or in part to the Exchange Agent, to determine whether Forms of Election have been properly completed, signed and submitted or revoked and to disregard immaterial defects in Forms of Election. The decision of Parent or the Exchange Agent in such matters shall be conclusive and binding. Neither Parent nor the Exchange Agent shall be under any obligation to notify any person of any defect in a Form of Election submitted to the Exchange Agent. The Exchange Agent shall also make all computations contemplated by Section 1.8, and all such computations shall be conclusive and binding on the holder of shares of Conectiv Stock.

1.10. Deemed Non-Election. For the purposes hereof, a holder of shares of Conectiv Stock who does not submit a Form of Election which is subsequently received by the Exchange Agent prior to the Election Date (the “**Non Election Shares**”) shall be deemed not to have made a Cash Election, Stock Election or Mixed Election. If Parent or the Exchange Agent shall determine that any purported Election was not properly made, the shares subject to such improperly made Election shall be treated as Non Election Shares. Non Election Shares may be treated as Cash Election Shares or Stock Election Shares, as Parent shall determine.

1.11. Cancellation of HoldCo Common Stock. Each share of HoldCo Common Stock issued and outstanding immediately prior to the Effective Time shall be canceled, and no consideration shall be delivered in exchange therefor.

1.12. Conversion of Merger Sub A and Merger Sub B Common Stock. (a) Each share of common stock, without par value, of Merger Sub A that is issued and outstanding immediately prior to the Effective Time shall be converted into one share of common stock, without par value, of Surviving Corporation A.

(b) Each share of common stock, par value \$.01 per share, of Merger Sub B that is issued and outstanding immediately prior to the Effective Time shall be converted into one share of common stock, par value \$.01 per share, of Surviving Corporation B.

1.13. Shares of Dissenting Holders. Any issued and outstanding shares of Conectiv Stock, Parent Common Stock or Parent Preferred Stock held by a person who objects to the Mergers and complies with all applicable provisions of Section 262 of the DGCL, Section 13.1-730 of the VSCA and/or Section 29-373 of the DCBCA, as applicable, concerning the right of such person to dissent from the Mergers and demand appraisal of such shares (“**Dissenting Holder**”) shall from and after the Effective Time represent only the right to receive such consideration as may be determined to be due to such Dissenting Holder with respect to such shares pursuant to applicable provisions of the DGCL, the VSCA and the DCBCA and, in the case of shares of Conectiv Stock and Parent Common Stock, shall not be converted as described in Section 1.8(b); provided, however, that shares outstanding immediately prior to the Effective Time and held by a Dissenting Holder who shall withdraw the demand for appraisal, or lose the right of appraisal of such shares, pursuant to Section 262 of the DGCL, Section 13.1-730 of the VSCA and/or Section 29-373 of the DCBCA shall (i) in the case of shares of Conectiv Stock or Parent Common Stock, be deemed to be converted, as of the Effective Time, into the right to receive HoldCo Common Stock specified in Section 1.8(b) and cash in lieu of fractional shares in accordance with Section 2.5, without interest, and (ii) in the case of shares of Parent Preferred Stock be unchanged in and remain outstanding after the Mergers, without interest.

1.14. Anti-Dilution Provisions. In the event Conectiv or Parent, as applicable, (i) changes (or establishes a record date for changing) the number of shares of Conectiv Stock or Parent Common Stock issued and outstanding prior to the Effective Time as a result of a stock split, stock dividend, stock combination, recapitalization, reclassification, reorganization or similar transaction with respect to the outstanding Conectiv Stock or Parent Common Stock or (ii) pays or makes an extraordinary dividend or distribution in respect of Conectiv Stock or Parent Common Stock (other than a distribution referred to in clause (i) of this sentence) and, in either case, the record date therefor shall be prior to the Effective Time, the Conectiv Merger Consideration and/or the Parent Merger Consideration, as appropriate, shall be proportionately adjusted. Regular quarterly cash dividends and changes thereto shall not be considered extraordinary for purposes of the preceding sentence.

1.15. Further Assurances. At and after the Effective Time, the officers and directors of Surviving Corporation A will be authorized to execute and deliver, in the name and on behalf of Parent or Merger Sub A, any deeds, bills of sale, assignments or assurances and to take and do, in the name and on behalf of Parent or Merger Sub A, any other actions and things to vest, perfect or confirm of record or otherwise in the Surviving Corporation A any and all right, title and interest in, to and under any of the rights, properties or assets acquired or to be acquired by Surviving Corporation A as a result of, or in connection with, the Parent Merger. At and after the Effective Time, the officers and directors of Surviving Corporation B will be authorized to execute and deliver, in the name and on behalf of Conectiv or Merger Sub B, any deeds, bills of sale, assignments or assurances and to take and do, in the name and on behalf of Conectiv or Merger Sub B, any other actions and things to vest, perfect or confirm of record or otherwise in Surviving Corporation B any right, title and interest in, to and under any of the

rights, properties or assets acquired or to be acquired by Surviving Corporation B as a result of, or in connection with, the Conectiv Merger.

ARTICLE II

EXCHANGE OF CERTIFICATES

2.1. Exchange Fund. At or prior to the Effective Time, Parent and HoldCo shall deposit with the Exchange Agent, in trust for the benefit of holders of shares of Parent Common Stock and Conectiv Stock, sufficient cash and certificates representing HoldCo Common Stock to make all payments and deliveries pursuant to Article II. Any cash and certificates for HoldCo Common Stock deposited with the Exchange Agent shall hereinafter be referred to as the “**Exchange Fund.**”

2.2. Exchange Procedures. As soon as reasonably practicable after the Effective Time (and in any case no later than 5 days thereafter), Surviving Corporation A and Surviving Corporation B shall cause the Exchange Agent to mail (a) to each record holder of a certificate that immediately prior to the Effective Time represented issued and outstanding shares of Parent Common Stock (“**Parent Certificates**” and together with the Conectiv Certificates, the “**Certificates**”) and (b) to each record holder of an Conectiv Certificate immediately prior to the Effective Time who has not surrendered Conectiv Certificates representing all of the shares of Conectiv Stock owned by such holder pursuant to Section 1.9(b), a letter of transmittal which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Exchange Agent, and which letter shall be in customary form and have such other provisions as HoldCo may reasonably specify and (ii) instructions for effecting the surrender of such Certificates in exchange for the Parent Merger Consideration or the Conectiv Merger Consideration, as the case may be. Upon surrender of a Certificate to the Exchange Agent together with such letter of transmittal, duly executed and completed in accordance with the instructions thereto, and such other documents as may reasonably be required by the Exchange Agent, the holder of such Certificate shall be entitled to receive in exchange therefor (A) a certificate representing, in the aggregate, the whole number of shares of HoldCo Common Stock that such holder has the right to receive pursuant to Section 1.8 (after taking into account all shares of Conectiv Stock or Parent Common Stock, as the case may be, then held by such holder) and/or (B) a check in the amount equal to the cash that such holder has the right to receive pursuant to Sections 1.8, 2.3 and/or 2.5. No interest will be paid or will accrue on any cash payable pursuant to Section 1.8, 2.3 or 2.5. In the event of a transfer of ownership of Conectiv Stock or Parent Common Stock, as the case may be, which is not registered in the transfer records of Conectiv or Parent, as the case may be, a certificate representing, in the aggregate, the proper number of shares of HoldCo Common Stock and/or a check in the proper amount pursuant to Sections 1.8, 2.3 and/or 2.5 may be issued with respect to such Conectiv Stock or Parent Common Stock, as the case may be, to such a transferee if the Certificate formerly representing such shares of Conectiv Stock or Parent Common Stock, as the case may be, is presented to the Exchange Agent, accompanied by all documents required to evidence and effect such transfer and to evidence that any applicable stock transfer taxes have been paid. Persons who have submitted an effective Form of Election as provided in Section

1.9(b) and surrendered Certificates as provided therein shall be treated as if they have properly surrendered Certificates together with the letter of transmittal pursuant to this Section 2.2.

2.3. Distributions with Respect to Unexchanged Shares. No dividends or other distributions declared or made with respect to shares of HoldCo Common Stock with a record date after the Effective Time shall be paid to the holder of any unsurrendered Certificate with respect to the shares of HoldCo Common Stock that such holder would be entitled to receive upon surrender of such Certificate until such holder shall surrender such Certificate in accordance with Section 2.2. Subject to the effect of applicable laws, following surrender of any such Certificate, there shall be paid to such holder of shares of HoldCo Common Stock issuable in exchange therefor, without interest, (a) promptly after the time of such surrender, the amount of dividends or other distributions with a record date after the Effective Time theretofore paid with respect to such whole shares of HoldCo Common Stock and (b) at the appropriate payment date, the amount of dividends or other distributions with a record date after the Effective Time but prior to such surrender and a payment date subsequent to such surrender payable with respect to such whole shares of HoldCo Common Stock.

2.4. No Further Ownership Rights. All shares of HoldCo Common Stock issued and cash paid upon conversion of shares of Parent Common Stock and Conectiv Common Stock in accordance with the terms of Article I and this Article II (including any cash paid pursuant to Section 2.3 or 2.5) shall be deemed to have been issued or paid in full satisfaction of all rights pertaining to the shares of Parent Common Stock and Conectiv Stock, as the case may be.

2.5. No Fractional Shares of HoldCo Common Stock. (a) No fractional shares of HoldCo Common Stock and no certificates or scrip representing fractional shares of HoldCo Common Stock shall be issued upon the surrender for exchange of Certificates and such fractional share interests will not entitle the owner thereof to vote or to have any rights of a shareholder of HoldCo or a holder of shares of HoldCo Common Stock.

(b) Notwithstanding any other provision of this Agreement, each holder of shares of Parent Common Stock or Conectiv Stock exchanged pursuant to the Mergers who would otherwise have been entitled to receive a fraction of a share of HoldCo Common Stock (after taking into account all Certificates delivered by such holder) shall receive, in lieu thereof, cash (without interest) in an amount equal to the product of (i) such fractional part of a share of HoldCo Common Stock multiplied by (ii) the last sales price per share of Parent Common Stock reported on the NYSE Composite Tape as reported in The Wall Street Journal, Eastern edition, with respect to the Closing Date.

2.6. Termination of Exchange Fund. Any portion of the Exchange Fund which remains undistributed to the holders of Certificates for twelve months after the Effective Time shall be delivered to HoldCo or otherwise on the instruction of HoldCo, and any holders of the Certificates who have not theretofore complied with this Article II shall thereafter look only to HoldCo for the Merger Consideration with respect to the shares of Conectiv Stock formerly represented thereby to which such holders are entitled pursuant to Sections 1.8 and 2.2, any cash in lieu of fractional shares of HoldCo Common Stock to which such holders are entitled pursuant

to Section 2.5 and any dividends or distributions with respect to shares of HoldCo Common Stock to which such holders are entitled pursuant to Section 2.3.

2.7. No Liability. None of Parent, Merger Sub A, Merger Sub B, HoldCo, Conectiv, Surviving Corporation A, Surviving Corporation B or the Exchange Agent shall be liable to any Person in respect of any Merger Consideration from the Exchange Fund delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

2.8. Investment of the Exchange Fund. The Exchange Agent shall invest any cash included in the Exchange Fund as reasonably directed by HoldCo; provided that, such investments shall be in obligations of or guaranteed by the United States of America and backed by the full faith and credit of the United States of America or in commercial paper obligations rated P-1 and A-1 or better by Moody's Investors Service, Inc. and Standard & Poor's Corporation, respectively. Any interest and other income resulting from such investments shall be payable to HoldCo.

2.9. Lost Certificates. If any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such Certificate to be lost, stolen or destroyed and, if required by HoldCo, the posting by such Person of a bond in such reasonable amount as HoldCo may direct as indemnity against any claim that may be made against it with respect to such Certificate, the Exchange Agent will deliver in exchange for such lost, stolen or destroyed Certificate the applicable Merger Consideration with respect to the shares of Parent Common Stock or Conectiv Stock formerly represented thereby, any cash in lieu of fractional shares of HoldCo Common Stock and unpaid dividends and distributions on shares of HoldCo Common Stock deliverable in respect thereof, pursuant to this Agreement.

2.10. Withholding Rights. Each of Surviving Corporation A, Surviving Corporation B and HoldCo shall be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement to any holder of shares of Parent Common Stock or Conectiv Stock such amounts as it is required to deduct and withhold with respect to the making of such payment under the Code and the rules and regulations promulgated thereunder, or any provision of state, local or foreign tax law. To the extent that amounts are so withheld by Surviving Corporation A, Surviving Corporation B or HoldCo, as the case may be, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holder of the shares of Parent Common Stock or Conectiv Stock in respect of which such deduction and withholding was made by Surviving Corporation A, Surviving Corporation B or HoldCo, as the case may be.

2.11. Stock Transfer Books. At the close of business, New York City time, on the day the Effective Time occurs, the stock transfer books of (a) Parent with respect to Parent Common Stock issued and outstanding prior to the Effective Time shall be closed and, thereafter, there shall be no further registration of transfers on the records of Parent of shares of Parent Common Stock issued and outstanding prior to the Effective Time, and (b) Conectiv with respect to Conectiv Stock issued and outstanding prior to the Effective Time shall be closed and, thereafter, there shall be no further registration of transfers on the records of Conectiv of shares of Conectiv Stock issued and outstanding prior to the Effective Time. From and after the Effective Time, the holders of Certificates shall cease to have any rights with respect to such

shares of Conectiv Stock or Parent Common Stock, as the case may be, formerly represented thereby, except as otherwise provided herein or by law. On or after the Effective Time, any Certificates presented to the Exchange Agent or HoldCo for any reason shall be exchanged for the applicable Merger Consideration with respect to the shares of Conectiv Stock or Parent Common Stock, as the case may be, formerly represented thereby, any cash in lieu of fractional shares of HoldCo Common Stock to which the holders thereof are entitled pursuant to Section 2.5 and any dividends or other distributions to which the holders thereof are entitled pursuant to Section 2.3.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

3.1. Representations and Warranties of Conectiv. Except as set forth in the Disclosure Schedule delivered by Conectiv to Parent prior to the execution of this Agreement (the "**Conectiv Disclosure Schedule**") and except as set forth in the Conectiv SEC Reports (as defined in Section 3.1(f)) filed prior to the date of this Agreement, Conectiv represents and warrants to Parent as follows:

(a) Organization, Standing and Power. (i) Conectiv and each of its Subsidiaries (as defined in Section 8.11) is a corporation or other entity duly incorporated or otherwise organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization, has all requisite power and authority to own, lease and operate its properties and to carry on its business as now being conducted and is duly qualified and in good standing to do business in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification necessary other than in such jurisdictions where the failure to so qualify or be in good standing would not reasonably be expected to result in a Material Adverse Effect (as defined in Section 8.11) on Conectiv. The copies of the certificate of incorporation and by-laws of Conectiv which were previously furnished to Parent are true, complete and correct copies of such documents as in effect on the date of this Agreement.

(ii) Each of Conectiv's Joint Ventures (as defined below) is a corporation duly incorporated or an entity otherwise organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization, has all requisite power and authority to own, lease and operate its properties and to carry on its business as now being conducted and is duly qualified and in good standing to do business in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification necessary, except in each case as would not reasonably be expected to result in a Material Adverse Effect on Conectiv. As used in this Agreement, "**Joint Venture**" with respect to any person shall mean any corporation or other entity (including partnerships and other business associations and joint ventures) in which such person or one or more of its Subsidiaries owns an equity interest that is less than a majority of any class of the outstanding voting securities or equity, other than equity interests held for investment purposes that are less than 20% of any class of the outstanding voting securities or equity.